

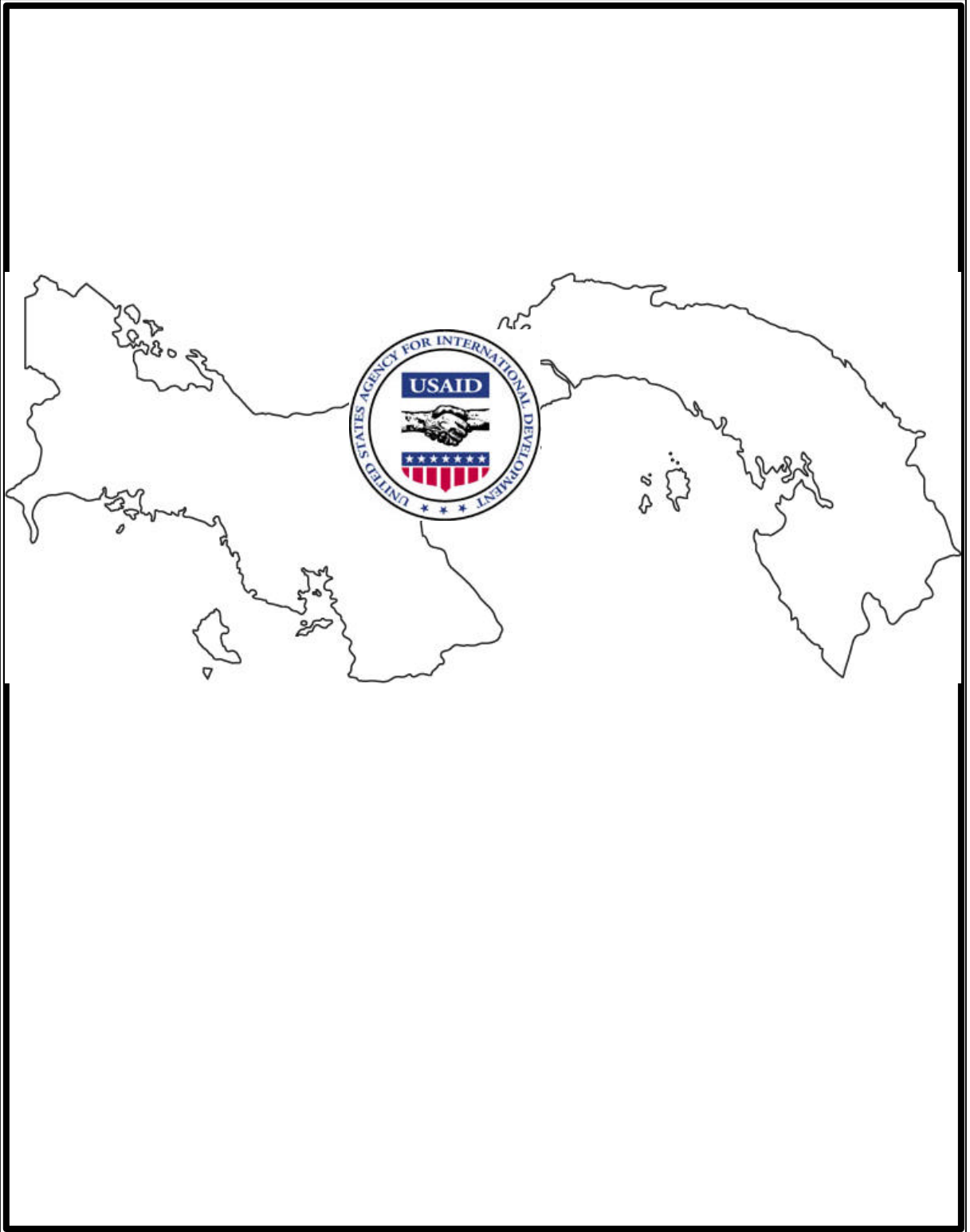


# *Regional Strategy for Central America and Mexico FY 2003-2008*



*Volume 2:  
Annex G: Panama Country Plan*

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# CONTENTS

**Prologue**..... Error! Bookmark not defined.

**Glossary**.....iii

## **I. RATIONALE FOR ASSISTANCE AND SUMMARY ANALYSIS OF THE ASSISTANCE ENVIRONMENT**..... 1

- A. PROPOSED COUNTRY PLAN AND RELATIONSHIP TO REGIONAL STRATEGY..... 2
- B. FOREIGN POLICY INTERESTS, GOALS IN PANAMA AND LINK TO THE JOINT STATE-USAID STRATEGIC PLAN AND THE MPP ..... 4
- C. OVERVIEW OF COUNTRY NEEDS AND DEVELOPMENT CHALLENGES..... 6
- D. ROLE OF OTHER DONORS IN PANAMA ..... 7

## **II. STRATEGIC OBJECTIVES**..... 8

- A. SO 1 RULING JUSTLY: MORE RESPONSIVE, TRANSPARENT, GOVERNANCE ..... 8
- B. SO 2 ECONOMIC FREEDOM: AN OPEN, DIVERSIFIED, EXPANDING ECONOMY.... 14
- C. PANAMA SPECIAL OBJECTIVE: SELECTED DARIEN COMMUNITIES STRENGTHENED SPO 525-006.....22
- D. CRISIS MODIFIER .....23

## **III. Program Resources**.....24

## **IV. Program and Operational Management**.....25

## **ANNEX: Assessments and Studies** .....27

## **Management Letter** .....28

## **PROLOGUE**

With the approval of its Country Plan for FY 2004–2008, USAID/Panama formally joins the bilateral USAID programs in El Salvador, Guatemala, Honduras, Mexico, and Nicaragua and the Regional Program to constitute USAID's Regional Strategy for Central America and Mexico (CAM) for FY 2003-2008. The CAM Strategy provides the framework for regional and country-specific programs leading to achievement of the overarching regional goal of **a more democratic and prosperous Central America and Mexico, sharing the benefits of trade-led growth broadly among their citizens.**

The Panama Country Plan also contributes to the achievement of U.S. foreign policy objectives, identified in the U.S. Embassy Mission Performance Plan (MPP) for FY 2006 in **Infrastructure Network Protection, Democratic Systems and Practices, and Trade and Investment.** As a major transit point, Panama remains vital to U.S. economic and military interests. Approximately 70% of the 13,000 ships that transit the Canal each year are bound for, or have departed from, U.S. ports, including nearly 100 warships. The linkage to the U.S. makes the Canal and the rest of Panama's core infrastructure—three international ports, a U.S. company-run railroad, five trans-oceanic fiber optic cable networks, a regional air hub, and a trans-isthmus oil pipeline that supplies our East Coast—critical to U.S. homeland security. USAID's program to protect the Canal watershed supports our security and economic interests.

A stable, democratic and peaceful Panama promotes regional security. Achieving sustainable growth in marginalized areas contributes to stability, strengthens democracy, and creates new markets for U.S. products. USAID/Panama programs nurture economic growth and alleviate poverty, especially in the indigenous and Afro-Panamanian rural communities in the Darien border region. In the first year of implementation, USAID's Community Development Program trained village leaders in 35 of these communities to identify, organize and implement self-help economic development projects. This effort is aimed at fostering grassroots democracy and strengthening community organizations to help address the spillover from the Colombian conflict. The USAID/Panama Darien and Canal Watershed projects also contribute to needed environmental protection.

Political patronage, corruption, and cronyism weaken democratic institutions, deepen socioeconomic cleavages, and adversely affect U.S. commercial and security interests. USAID/Panama directs its efforts towards increasing public awareness of the role and importance of a strong civil society, a responsible, vibrant and independent media, and an efficient and fair judicial system. In her September 2003 speech "Toward a Democratic Culture", Ambassador Watt laid the foundation for enhanced engagement on issues of transparency, accountability, mutual understanding and good governance. With USAID/Panama assistance, momentum towards fairer and faster justice has been achieved. Mediation has been accepted by the courts as a means to resolve disputes. Civil society is becoming an active player, voicing the need for justice reform and anti-corruption efforts in Panama. USAID will place even greater emphasis on creating and sustaining civil society and business efforts to increase transparency, promote good governance, and press for justice reform.

USAID efforts to build a strong democracy directly affect our economic prosperity goal and improve the climate for U.S. investment and exports to Panama. In March 2004, the United States Trade Representative announced a schedule of trade negotiations to lead to a bilateral Free Trade Agreement (FTA) with Panama during 2004. Beyond the agreement's value in

reducing tariffs and improving market access, an FTA with Panama will help bring about increased respect for the rule of law, greater transparency and accountability, a reduction of corruption and improved environmental protection. By linking good governance and best business practices to the negotiations, the FTA will have a profound effect on Panamanian polity and society. USAID plans to provide technical assistance to support an FTA with Panama and the Free Trade Area of the Americas (FTAA) during and after negotiations.

## **Glossary**

A/C:	Anti-Corruption
ACDI/VOCA:	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ACP:	<i>Autoridad del Canal de Panamá</i> Panama Canal Authority
ACPJ:	<i>Alianza Ciudadana Pro Justicia</i> Citizens' Alliance for Justice
ADR:	Alternative Dispute Resolution
AED:	Academy for Educational Development
ANAM:	<i>Autoridad Nacional del Ambiente</i> Environmental National Authority
AOJ:	Administration of Justice
APEDE:	<i>Asociación Panameña de Ejecutivos de Empresas</i> Panamanian Association of Business Executives
APHIS:	Animal and Plant Health Inspection Service
ARI:	Andean Regional Initiative
CAFTA:	Central America Free Trade Agreement
CAM:	Central America and Mexico Regional Strategy
CICH:	<i>Comisión Inter-Institucional de la Cuenca Hidrográfica</i> Inter-Institutional Commission on the Canal Watershed
COPEG:	<i>Comisión Panamá-Estados Unidos para la Erradicación y Prevención del Gusano Barrenador del Ganado</i> United States-Panama Commission for Eradicating and Preventing Screwworm Cattle Disease
CPC:	Criminal Procedures Code
CSJ:	<i>Corte Suprema de Justicia</i> Supreme Court of Justice
CSO:	Civil Society Organization
DA:	Development Assistance
DCA:	Development Credit Authority
DECO:	<i>Desarrollo Comunitario</i> /Community Development

DG:	Democracy and Governance
EGAT:	Bureau of Economic Growth, Agriculture and Trade
ESF:	Economic Support Funds
EU:	European Union
FAO:	Food and Agriculture Organization of the United Nations
FARC:	<i>Fuerza Armada Revolucionaria de Colombia</i> Revolutionary Armed Forces of Colombia
FSN:	Foreign Service National
FTA:	Free Trade Agreement
FTAA:	Free Trade Area of the Americas
FY:	Fiscal Year
GDA:	Global Development Alliance
GDP:	Gross Domestic Product
GOP:	Government of Panama
IDAAN:	<i>Instituto de Acueductos y Alcantarillados Nacionales</i> Institute of National Potable Water and Sewage Systems
IDB:	Inter-American Development Bank
IR:	Intermediate Result
JICA:	Japan International Cooperation Agency
LAC/RSD:	Latin America and the Caribbean/Office of Regional Sustainable Development
MEDUC:	<i>Ministerio de Educación</i> Ministry of Education
MIDA:	<i>Ministerio de Desarrollo Agropecuario</i> Ministry of Agricultural Development
MINSA:	<i>Ministerio de Salud</i> Ministry of Health
MPP:	Mission Performance Plan
NAS:	Narcotics Affairs Section

NATURA:	<i>Fundación Natura</i> Foundation for the Conservation of Natural Resources
NGO:	Non-Governmental Organization
OE:	Operating Expenses
PCW:	Panama Canal Watershed
PIP:	Parks in Peril
PMP:	Performance Monitoring Plan
PRONAT:	<i>Programa Nacional de Administración de Tierras</i> National Land Management Program
PSC:	Personal Service Contract
RPP:	Regional Program Plan
RSD:	Office of Regional Sustainable Development
SINAP:	<i>Sistema Nacional de Áreas Protegidas</i> National System of Protected Areas
SO:	Strategic Objective
SpO:	Special Objective
SPS:	Sanitary and Phyto-sanitary
TFCA:	Tropical Forest Conservation Act
TNC:	The Nature Conservancy
TPF:	The Peregrine Fund
UNDP:	United Nations Development Program
UNEP:	United Nations Environment Program
USAID:	U.S. Agency for International Development
USAID/ES-CAMP	USAID/El Salvador—Central America, Mexico and Panama
USAID/G-CAP	USAID/Guatemala—Central America Program
USDH:	U.S. Direct Hire
USG:	U.S. Government
WID:	Women in Development



## USAID Regional Strategy for Central America and Mexico, FY 2003-08

### USAID/Panama Country Plan, FY 2004-08

#### I. RATIONALE FOR ASSISTANCE AND SUMMARY ANALYSIS OF THE ASSISTANCE ENVIRONMENT

##### Background

Panama occupies a unique position among the Central American countries, and plays a special role in relation to U.S. foreign policy goals in the region. It is strategically at the juncture between two continents and two oceans, and is home to the Panama Canal, perhaps the most critical infrastructure in this hemisphere's maritime navigation system. It has a special historical relationship with the United States from its independence in 1903 to the reversion of the Panama Canal Zone and U.S. military bases to Panamanian jurisdiction in 2000. Since that time, the relationship has changed, but not its strategic importance. From the U.S. perspective, Panama continues to be inextricably linked to our core national interests in security, democracy and economic development.

Although Panama is relatively better off than many of its neighbors, it still suffers from many of the same problems and ills they do. For example, Panama's gross domestic product (GDP) of \$12.2 billion and annual per capita income of over \$3,500 (est. 2003) ranks Panama among the middle income countries in the region. Also, some of its social indicators, including a 92% literacy rate, a relatively low population growth rate of 1.4%, and relatively high life expectancy rates, compare favorably with those of other Central American countries. *However, these indicators mask the much grimmer reality of serious under-development and security challenges that threaten stability and impede sustained economic development.* In fact, Panama has the second worst income distribution in Latin America.

In particular, Panama has a dual economy consisting of a progressive and relatively prosperous modern service sector alongside a traditional—and considerably poorer—rural and agrarian sector. There are over 1.2 million poor in Panama which is 41% of the population. Approximately 28% of Panamanian households live in poverty and of these more than 12% live in extreme poverty. In Panama, women head 25% of the households. Women are also more likely to be poor than men. Poverty affects 53% of the children in the 1 to 5 year-old age bracket. The incidence of poverty is 65% in rural Panama, more than four times the 15% poor among the urban population. In the Indian reservations ("comarcas") and sectors with a predominantly indigenous population the incidence rises to 95%. In the rural areas of the western region of Panama 48% of the population live in poverty, 61% in the central region, and 78% in the eastern region of the country. Natural resources, especially water, are being degraded at an accelerating and alarming pace. The economic and social well-being of many Panamanians, particularly those living at the lowest socioeconomic levels, will worsen if the country is unable to chart a course of sustained economic growth.

The Panamanian justice system, from the Supreme Court down to the local levels, is widely criticized as slow, inefficient and ineffective. Criminal and civil case backlogs are substantial and access to justice by the poorer segments of the Panamanian population is insufficient. Greater transparency in judicial processes is needed, as is increased participation by civil society in justice reform efforts.

Sustainable protection and management of the Panama's critical watersheds and, in particular, the Panama Canal Watershed (PCW), are vital. The United States is committed to helping Panama safeguard and provide for the freshwater necessary for Canal operations. The efficient functioning of the Panama Canal waterway is at the heart of the U.S. Government's economic and strategic interests in Panama. As a key maritime crossroads of world commerce, the Panama Canal is essential to the transit of cargo, cruise ships, and U.S. military vessels. Commercial ships carry 130 million tons of cargo a year through the Canal. Approximately 70% of the 13,000 ships that transit the Canal each year are bound for, or have departed from, U.S. ports, including around 100 U.S. warships. The PCW also provides the water resources for industrial and human consumption in Panama City and Colon.

#### **A. Proposed Country Plan and Relationship to Regional Strategy**

Panama's special profile and the nature of its development challenges guide the rationale and central goals for U.S. assistance to the country, including the protection of both man-made and natural resources of global importance. USAID will continue to support our mutual strategic interests relating to maritime security of the Panama Canal, democracy and economic prosperity. To address these concerns, the Panama Country Plan for FY 2004-2008 emphasizes the strengthening of stable, democratic systems of governance, mitigating potential conflict, and enhancing opportunities for security and economic growth through sustainable environmental management. Linkages and synergies among these priority areas of action are emphasized and incorporated throughout the portfolio.

Panama faces formidable challenges to its ability to achieve good governance, to provide a climate that is favorable to investment and economic growth, and to strengthen its institutions to be responsive and legitimate representatives of the interests of the people. Widespread corruption continues to plague the country, while the judicial system remains weak. Heightened conflict in the Darien Province at the shared border region with Colombia is a potentially destabilizing force. All the while, the Panama Canal, and the fragile sub-watersheds that feed it, remains critical to Panama and the region's security and commerce. Poverty within the Panama Canal Watershed, and in the extreme eastern (Darien) and western (Chiriqui, Bocas del Toro) provinces, rivals the levels found among the poorest countries in the region which is commensurate with the other Central and South American countries.

USAID will continue to consolidate its programs and build on the momentum gained from successful efforts in the past to support Panama's rule of law and democratic governance. We will achieve this through targeted support for justice sector reform, working with government and nongovernmental organizations to promote transparency and accountability, and to stamp out corruption. Building public awareness within civil society, strengthening and promoting an independent and vibrant press, and fostering advocacy and alternative dispute resolution will strengthen the administration of justice at both the national and municipal levels.

To maximize the efficient use of our limited resources and to increase impact, USAID will focus on strategic interventions in targeted areas. First and foremost, the Panama Canal Watershed (PCW) will continue to be the primary area of interest to USAID. It is critical to U.S. foreign policy and strategic interests, as well as to the regional and hemispheric

economy, and will continue to be a primary area of interest to USAID. This will help ensure the sustainable operation of the Panama Canal for the passage of vessels and commerce that underscore U.S. strategic and commercial interests. Lessons learned from the experiences in the PCW with natural resource management, water and sanitation, biodiversity, and eco-tourism will be replicable in key watersheds elsewhere in the country.

Second, the Darien Province border region with Colombia emerged during the last strategy period as a special area of concern for reducing potential conflict and regional instability. Activities, such as the provision of social services including justice mediation centers and integrated watershed management, will be fully integrated with the rest of the Mission's program in the new strategy period in an effort to mitigate conflict and complement environmental governance. USAID will employ a strategic filter on successes in the PCW and the Darien for replication to other parts of the country as appropriate.

The USAID/Panama Country Plan is fully consistent with the Central America and Mexico (CAM) Regional Strategy goal to promote "a more democratic and prosperous Central America and Mexico, sharing the benefits of trade-led growth broadly among their citizens." Accordingly, USAID/Panama will support two Strategic Objectives (SOs) within the CAM Strategy. These are *SO 1 Ruling Justly: More Responsive, Transparent Governance* and *SO 2 Economic Freedom: Open, Diversified, Expanding Economies*.

Activities under *SO 1 Ruling Justly: More Responsive, Transparent Governance* will focus on both IRs. In Intermediate Result 1.1 *Strengthened Rule of Law*, USAID/Panama will build on past successes while adjusting to recent changes in the Panamanian political context. USAID/Panama will also engage Intermediate Result 1.2 *Greater Transparency and Accountability of Government* which is critical to strengthening democracy and promoting economic growth in Panama. The achievement of SO 1 will result in more accountable and more transparent national and local government institutions and courts and in citizens and businesses having better access to justice and alternative dispute resolution. Also, by strengthening civil society organizations, Panamanian citizens will have a greater voice in determining public policy and be better able to perform the important "watchdog" function that will contribute to strengthening administration of justice at the community level and in defense of the environment.

Efforts to promote *SO 2 Economic Freedom: Open, Diversified, Expanding Economies* will center on Intermediate Result 2.4 *Improved management and conservation of critical watersheds*. In addition, the Mission will also carry out activities under Intermediate Result 2.1 *Laws, Policies and Regulations that Promote Trade and Investment* in order to support free trade activities both during and after negotiations. It should be noted that a bilateral Free Trade Agreement between the U.S. and Panama was not contemplated at the time that the parameters cable was issued. Thus, the cable is silent in this area. However, it does note that the promise of CAFTA and the FTAA offers a historic opportunity for consolidating democratic reforms and accelerating the pace of economic and social reform in the region. Because of the positive economic impact that a U.S.-Panama FTA will have on Panama, the Country Team strongly agrees with USAID/Panama's proposal to support the FTA process that will further USG interests in the country.

Issues of sustainable natural resources management in key watersheds of Panama are directly tied to both economic prosperity and international security. Interventions under SO 2 will emphasize local action in the context of sound environmental governance and integrated watershed management. Activities will include fostering stakeholder involvement in processes of natural resources decision-making and management, implementation of an integrated set of sustainable management practices, and reforms in environmental legal and policy frameworks in both private and protected area jurisdictions. In addition, USAID will continue to promote policy reforms at the highest levels of government, working with the National Environmental Authority, on financial sustainability, institutional and behavioral change, and a more participatory and practical approach to watershed and protected areas management. USAID will support the development of Panama's eco-tourism potential within the National System of Protected Areas (SINAP). Eco-tourism will promote economic growth among the least advantaged population. Fostering strategic alliances between public and private organizations will form an integral part of this effort. Environmentally-friendly activities will also include clean agricultural and industrial production, water and sanitation, agro-forestry, sustainable community forestry and handicrafts. Working with the private sector, USAID will support micro, small and medium-sized enterprise development by improving access to credit through the Development Credit Authority.

Synergies will be obtained from complementary democracy and governance activities in SO 1, particularly within the PCW and the Darien, which will promote reforms within the judicial system at the national, municipal and local levels to better implement and enforce environmental laws and regulations. These efforts will also serve as effective entry points for leveraging decentralization, extending support to marginalized groups, and incorporating gender concerns. USAID activities will focus on training and technical assistance at the municipal level to promote ownership and enforcement of the rules and regulations governing environmental behavior.

Trade capacity building assistance that the Mission will provide will broaden and deepen the modest activities that regional and central programs are providing to Panama. The assistance will focus on carrying out activities that will consolidate social, environmental, and democratic reforms and accelerate the pace of economic growth both during and after the FTA negotiations.

## **B. Foreign Policy Interests, Goals in Panama and Link to the Joint State-USAID Strategic Plan and the MPP**

It is within the strategic interest of the United States that Panama continues on a course of democracy and sustainable economic development. USAID is committed to providing focused support to maintain and strengthen this essential partnership in pursuit of U.S. foreign policy goals. Panama has historic ties and continued relevance to the United States. Because of the large volume of commerce moving through the Panama Canal, Panama's proximity to Colombia, and its position as a regional banking center, the country is central to U.S. homeland security, democracy and economic prosperity. A democratic and peaceful Panama is essential to achieving our shared goals. The advent of negotiations to achieve a bilateral Free Trade Agreement (FTA) highlights the importance of the relationship and the desire to enhance democratic reforms and economic development.

A strategic and focused USAID program in Panama will contribute to the achievement of several U.S. foreign policy goals for Panama and the region. The performance goals in the USAID/Panama Country Plan are linked to the 2004-2009 Joint State-USAID Strategic Plan as follows. The *Ruling Justly: More Responsive, Transparent Governance Strategic Objective* supports the State-USAID performance goal that consists of “measures adopted to develop transparent and accountable democratic institutions, laws, and economic and political processes and practices.” The *Economic Freedom: Open, Diversified, Expanding Economies Strategic Objective* in the Country Plan supports two State-USAID performance goals: i) “Increased trade and investment achieved through market-opening international agreements and further integration of developing countries into the trading system” and ii) “Partnerships, initiatives, and implemented international treaties and agreements that protect the environment and promote resource management.”

USAID and the State Department have identified key areas of intersection between the development and diplomatic agendas in the USG’s Mission Performance Plan (MPP), including:

- **Infrastructure Network Protection:** It is a U.S. Government priority to ensure that Panama maintains the capacity to sustainably manage and protect the Panama Canal Watershed. An effectively operating Canal facilitates international maritime commerce, ensures rapid transit of U.S. military and other vessels between oceans, and contributes significantly to the homeland security of the United States. Stabilizing the region and reducing the potential for regional conflict in the Darien border area is also critical, and strengthening communities in the area will directly support U.S. efforts to reduce possible spillover effects associated with civil unrest, terrorism, and drug trafficking from neighboring Colombia. As a bulwark against foreign criminal and terrorist organizations, U.S. programs seek to alleviate poverty, especially in rural communities in the Darien border region and elsewhere.
- **Democratic Systems and Practices:** Focus is on increasing public awareness on the importance of building a strong civil society, a responsible, vibrant and independent media, as well as an efficient and fair judicial system. Support is directed at governmental and civil society efforts to combat corruption, increase transparency, and improve good governance. Measures to strengthen democratic governance will help increase investor confidence in Panama, attract more foreign direct investment, and make the country a more stable partner. A stable, democratic and peaceful Panama will promote stability in the region.
- **Trade and Investment:** Efforts to reduce poverty through improved watershed and natural resource management will establish a sustainable basis for economic prosperity and help initiate a virtuous cycle of economic growth. Strengthening community management of natural resources will help improve the socioeconomic status of marginalized populations (i.e., indigenous groups, women and youth) by improving their living conditions. Achieving sustainable growth in marginalized areas contributes to stability, strengthens democracy, and creates new markets for U.S. products. USAID will support targeted trade capacity development activities to help foster more open trade with the U.S. and within the region. Negotiations leading to a Free Trade Agreement will provide additional opportunities for Panama to sustain economic growth.

### **C. Overview of Country Needs and Development Challenges**

The Republic of Panama occupies a strategic location between Colombia and Costa Rica on the southeastern end of the Central American isthmus that forms the land bridge between South and North America. The country is bisected by the Panama Canal, which links the Atlantic Ocean via the Caribbean Sea with the Pacific Ocean. Rugged mountains, broken in places by upland plains, run through the country's interior. Coastal areas are largely rolling hills and plains. The population of 2.9 million is comprised of "mestizos" of mixed indigenous and European ancestry (70%), Afro-descendents (14%), Caucasians (10%), and indigenous (6%). Over half of the population lives in the Panama City-Colon trans-isthmian corridor.

Compared with most of its Central American neighbors, Panama's health and education systems are considered good, as reflected in a life expectancy of 71 years for men and 76 years for women, and an overall literacy rate of 92%. Other highlights that differentiate Panama from most of its neighbors in the region include the clear separation of church and state, and the fact that the last civil war on its soil was fought at the turn of the 20<sup>th</sup> Century, when the isthmus was still part of Colombia.

Panama's economy is based primarily on a well-developed services sector that accounts for over 70% of GDP. Services include the Panama Canal, banking, the Colon Free Trade Zone, insurance, container ports, flagship registry, and tourism. Twenty percent of the population is employed in the agricultural sector, including both subsistence farmers and commercial producers of bananas, sugar, and coffee for export, and corn, rice, timber, vegetables and cattle for domestic consumption. The percentage of employment in the agricultural sector is much higher in rural areas with a high incidence of poverty, i.e., 91% in the Ngobe Bugle Indian reservation, 49% in Bocas del Toro, and 63% in Darien. The withdrawal of U.S. military forces coupled with the global economic slowdown retarded overall economic growth in the last few years. During 2000-02, real GDP growth averaged 1.8%, compared to 5.9% during 1997-99. After three years of weak economic growth, the economy grew 4.1% in 2003 at 1996 constant prices.

*Panama has one of the widest income distribution disparities between rich and poor in all of Latin America.* In a labor force of well over one million there is a shortage of skilled workers and an oversupply of unskilled workers. The unemployment rate is estimated at approximately 14%, while underemployment, which includes those who work but cannot find full employment, is estimated around 30%. Employment in the informal sector is on the rise, absorbing a large percentage of the non-agricultural labor force. Sustained growth will depend on Panama's ability to resolve long-standing problems of unequal distribution of wealth, external debt, and over dependence on Canal revenues.

Democracy in Panama is fragile and hampered by some long-standing traditions, such as ingrained paternalism, that serve to impede democratic governance and the pace of judicial reform. Panama has a lengthy history of multi-party politics that have traditionally revolved around personalities, rather than ideologies. In recent times, Panamanian political parties have consolidated into broad-based inclusive blocs of liberal and conservative orientation. The variability and uncertainty of party politics limits political cohesion and works counter to the continuity of legislative initiatives. Panama's tradition of strong authority in the executive branch undermines the independence of the legislative and judiciary branches. The "independent" judiciary branch is subject to

political manipulation and corruption. The central government has generally opposed decentralization, rendering local governments ineffective. Currently, Panamanian municipalities have no legal basis or authority to obtain revenues to fund basic services for their respective polity.

Panama faces a number of environmental challenges. Many important natural forests lack management and protection. In fact, some government policies even encourage forest clearing. Oftentimes, investors do not consider good forest management as economically viable. The unsustainable and often illegal collection, trade and use of timber, plants, wildlife and fisheries are extensive. Nearby residents and artisans overuse forest species, resulting in the loss of valuable resources collected from forestlands. There is insufficient research and poor management of native species, and no marketing of green products. Poor vegetation management and other inadequate land use practices have a negative impact on forest diversity, biodiversity, soil fertility, coral reefs, mangroves and fisheries, all key elements of a healthy watershed ecosystem.

The sustainability of critical watersheds and the environment in general is greatly influenced by governance issues. The lack of local empowerment of communities and their insecure tenure over forestlands hamper local application and enforcement of environmental regulations. Rural residents have few options for income generation, driving many to destructive land use practices which result in urban migration. Contaminating practices in urban and rural areas adversely affect the quality of water supplies.

In preparation for the Country Plan, USAID/Panama reviewed the country's development challenges and analyzed opportunities to address these challenges given USAID's comparative advantage and within the parameters established by the LAC Bureau. Required assessments included: a *conflict vulnerability assessment*, including a review of the root causes of conflict and potential mitigation actions for USAID consideration; a *biodiversity and tropical forestry assessment*, including an analysis of threats and opportunities related to forest tenure, management, and product certification; and a *gender analysis*, including the identification of gender issues specific to the programs in the Country Plan. In addition, USAID undertook sector-specific assessments in *justice, democracy and governance*. Recent World Bank studies on poverty in Panama provided useful insights into this country's *dual economy* and the special *challenges surrounding poverty*. The Demographic Census in 2000 confirms population migration trends from rural areas into urban centers and critical watersheds, such as the PCW and in the Darien Province. A complete list of these analyses and studies is found in the Annex and many are available online or upon request from USAID/Panama.

#### **D. Role of Other Donors in Panama**

The principal donors in Panama, in addition to the United States, include the Inter-American Development Bank (IDB), the European Union (EU), the Spanish Cooperation Agency, the Japanese International Cooperation Agency (JICA), the United Nations Development Program (UNDP), and the Food and Agriculture Organization (FAO).

The Spanish Cooperation Agency, the European Union, and the UNDP focus their assistance on the judicial sector: improving the administration of justice, judicial careers, judicial information systems, judicial audits, legal reform, and access to justice. The Spanish are also working with the victims of crime and the police to set up an internal

affairs unit, improve investigative skills of the Judicial Police, and establish models of community policing. The EU is working to improve prison system management and prisoner living conditions, and to implement a program of free legal services for poor pre-trial detainees. The EU also is training public defenders, hoping to double their number. The UNDP recently financed the Citizen's Audit of the Justice System.

The largest donor in democracy has been the IDB with its recently completed \$27 million loan. The program sought to improve the quality of the country's legal and judicial services to strengthen the rule of law and to consolidate democracy. This is a long-term objective and this operation constituted the first stage. The IDB is planning follow-on assistance when the new government takes office in September 2004. USAID is the only donor currently working in the area of transparency and accountability.

USAID is the major donor active in the Panama Canal Watershed. JICA assistance to the Government of Panama (GOP) and nongovernmental organizations (NGOs) in the PCW complements USAID's efforts. JICA is supporting the establishment of a training center that provides environmental education and awareness, training in forestry and agro-forestry techniques, and technical assistance to pilot communities in the PCW to improve environmentally-friendly agricultural production. Beginning in 2004, the IDB plans to help strengthen GOP institutions in management and implementation mechanisms that support community environmental mitigation efforts, with particular focus on the PCW. The IDB also supports conversion of destructive agricultural practices to environmentally-friendly productive activities in the PCW.

The Food and Agriculture Organization assists Panama's Ministry of Agricultural Development (MIDA) in its implementation of land use changes in the rural eastern region of the PCW, measuring the socioeconomic impacts of these changes. Emphasis is on community participation and on environmental and socioeconomic sustainability. This effort is expected to lead to the development of a 20-year program with possible funding from the World Bank.

## **II. Strategic Objectives**

### **A. SO 1 Ruling Justly: More Responsive, Transparent, Governance**

#### **Development Challenge**

The transition to democracy in Panama began at the end of 1989 after the military dictatorship of General Noriega ended and democratically elected President Guillermo Endara assumed office. There has been significant progress towards a viable democracy, but the process is still evolving. The country continues to operate under a Constitution that grants the State strong executive powers and provides immunity for legislators, judges, and high-ranking executive branch officials. Moreover, press gag laws continue in effect. There are no clear and accessible points of entry for citizens or civil society organizations to influence decision-making. Concepts of conflict of interest, transparency, and a stable, professional civil service are virtually absent from political discourse and practices. Mechanisms of accountability are weak and transparency is virtually non-existent.

Lack of transparency, accountability and access to justice are the three major areas limiting good governance and democracy in Panama. Political will to modernize the



state, reform the justice system and install transparent and accountable government is seriously lacking. The justice system is perceived as inefficient and has not kept pace with judicial reforms of other countries in Latin America. Leadership of the reform movement falls to a nascent, but growing civil society that carries the burden of advocating for reform and being a watchdog over governmental institutions and programs.

Corruption is a key development challenge facing Panamanians. In recent years it has risen in prominence in public opinion polls, second only to unemployment. While petty corruption is somewhat prevalent, grand corruption in the form of large bribes, state capture—meaning special interest businesses lobbying to get laws passed that favor their positions or interest, and buying legislators and judges cause the greatest concerns. Random corruption exists in areas such as procurement, but systemic corruption is particularly evident in political circles and among legislators, judges and high-level government officials. Bribery, misuse of public funds and goods are common, along with corrupt patronage (used for vote getting) and abuse of power. Although the Government of Panama has engaged in efforts to increase transparency, these efforts are more form than substance, such as passing of an impotent Freedom of Information Law. Working with civil society will offer an opportunity to catalyze and promote substantive reforms.

The Province of Darien presents a special problem in the consolidation of democracy in Panama. The Darien is a strategic region because it borders Colombia and is suffering from the influx of Colombian guerrillas (FARC), paramilitary forces, and drug traffickers. Because of the spillover effect from the escalating conflict in Colombia, the Darien became the focus of a community strengthening program started in 2003 by USAID, with conflict mitigation as a foundation. A Conflict Vulnerability Assessment was recently completed, and selected conflict prevention activities are included under both the Ruling Justly and Economic Freedom SOs.

### **Development Hypothesis and Proposed Program**

Justice reform is essentially an internal process that involves changes in political culture and changes in relations between citizens and public institutions. The development hypothesis for USAID/Panama's Ruling Justly SO program posits that democracy will be strengthened and economic growth promoted if Panama achieves more responsive, transparent governance by the end of the strategy period. The U.S. Country Team's priority of strengthening democracy in Panama directly supports the CAM Regional Strategy's emphasis on achieving more responsive, transparent government through strengthening the rule of law and increasing the accountability of governments. USAID's democracy program during the transition to the new DG program under the CAM Regional Strategy, along with the two prior USAID-funded programs in justice and the Darien vulnerable communities assistance, began to lay the groundwork for justice reform and fighting corruption through strengthening a civil society umbrella organization and implementing selected activities supported by the Supreme Court. The Country Team reviewed and concurred with our new DG program.

The program focuses on working with the demand side, civil society and progressive government institutions and selected local governments. Activities will focus in three areas: *Civil Society Advocacy for Reform*, *Oversight of Government*, and the *Judiciary*. While working in these areas, the program will undertake specific activities to address

corruption, transparency, accountability and access to justice. Civil society's role in promoting good governance and rule of law is the core of our DG program. Depending on political will the role of civil society will vary: in a scenario of strong political will, civil society programs will play a more proactive and collaborative role, while in a scenario having little political will, civil society programs will play a more watchful/advocacy role. USAID will fund grants to civil society organizations (CSOs) for good governance, transparency and accountability programs, technical assistance and training to carry out citizens' audits of government (watchdog functions), and will catalyze Panamanian focus on issues such as press gag laws, and overly broad legislative privileges and immunities for government officials. USAID will offer assistance to the GOP in their National Anti-Corruption Strategy and Action Plan. The mission will fund activities to foster reliance on precedent to bring about stability and predictability in court decisions. The mission will also reinforce good governance initiatives, to support local good governance by working with selected municipalities and "corregidores" to promote transparency, accountability and access to justice, and promote oversight of the judiciary.

Two women's organizations are currently members of the *Alianza Ciudadana Pro Justicia*, the NGO umbrella organization supported by USAID as its principal partner in this program. The mission considers incorporating gender in activities at both the national and the local level an important part of its DG program. Mainstreaming gender for its impact on programming results in the new DG activities begins with civil society advocacy, but will also take place in the other two focus areas of the strategy, specifically oversight of government and the judiciary. Gender roles and relations will be considered in policy formulation, planning, evaluation, and decision-making procedures.

Policy dialogue on transparency and justice reform issues in government is an important element of the USAID program that will be carried out between the highest levels of the Country Team and the new GOP. Supporting this dialogue will be visits to and from other Latin American countries that have undertaken broad-based reforms in both anti-corruption and justice. This dialogue effort will start with the new administration, continue throughout the strategy period, and will be linked to the broader USG goals of a bilateral Free Trade Agreement and trade-led growth.

## **Results Framework and Illustrative Activities**

The Panama Country Plan addresses both IRs included in the CAM Regional Strategy's Strategic Objective: Ruling Justly—More Responsive, Transparent Governance. During the strategy period (FY 2004-2008), the approach in Panama will be first and foremost to build a base of support for fighting corruption and demand for justice reform through civil society organizations that will work with agents of change in the new GOP, the media and others. If political will exists, activities involving the judiciary will be incorporated into the program. Conflict mitigation activities, such as court annexed and community mediation, will continue subject to the availability of funds. During the first two years of the strategy the mission will continue support for transparency, accountability and rule of law reforms through civil society advocacy. An inter-agency approach will address critical issues in fighting corruption to improve good governance across the portfolio.

The principal results anticipated at the end of the five-year Country Plan are: strengthened rule of law and greater transparency and accountability of the government of Panama. If resources permit, selected conflict mitigation activities under both IRs in environmental governance and transparency will be implemented in the Darien and

elsewhere that will help to prevent spillover effects of the violence in Colombia and rapid degradation of natural resources in fragile areas. As applicable, the Mission's RLA will screen proposed activities under both IRs for compliance with Section 660 of the Foreign Assistance Act of 1961 (regarding assistance to police and other law enforcement forces) and any relevant exceptions.

#### *Intermediate Result 1.1 Strengthened Rule of Law*

Activities under this first IR will enhance participation by civil society, including business organizations, the media and internet, as appropriate, in promoting and maintaining momentum for justice reform; advocating for greater access to prompt, fair and affordable avenues to resolve disputes; promoting selected reforms; and increasing GOP presence in at risk communities of the Darien and elsewhere through the provision of local justice and governance activities.

##### Illustrative Activities:

- Support civil society organizations to advocate for justice reform
- Support access to justice at the community level

#### *Intermediate Result 1.2 Greater Transparency and Accountability*

Activities under this IR will foster political will to reduce corruption and increase greater transparency of government activities by: strengthening civil society's ability to conduct social auditing/monitoring activities; increasing public access to information; strengthening investigative reporting; and developing a national anti-corruption strategy and action plan.

USAID will support business engagement and responsibility in fighting corruption and train journalists and NGOs to be more effective in conducting investigative journalism and reporting on corruption. Especially important to conflict mitigation will be supporting democracy activities at the grassroots, such as training CSOs to work in partnership with municipalities to oversee community development activities in the Darien and elsewhere. USAID will work closely with the Embassy's anti-corruption initiative throughout the strategy period. The lack of transparency and accountability in government practices will be addressed by a USG integrated program, with USAID and the Embassy Narcotics Affairs and Public Affairs Sections (NAS/PAS) taking the lead. In concert with NAS, USAID will support a Prosecutorial Task Force, and a special anti-corruption court established to pursue high profile corruption cases, if political will exists and funding levels permit.

##### Illustrative Activities:

- Support civil society advocacy in promoting and maintaining public focus on reducing corruption nationwide
- Support capacity building of civil society to carry out social audits
- Promote oversight of good governance

## **Strategic Choices and Sustainability of Impact**

USAID/Panama has made some important strategic choices in the design of its democracy and governance program in conformance with the CAM Regional Strategy as well as the combined USG MPP. Various technical assessments prepared during the Country Plan development phase (i.e., Administration of Justice Evaluation, Democracy and Governance Assessment, Anti-Corruption Assessment, Conflict Vulnerability Assessment, Environment/Section 118-119 assessment, Gender Analysis) guided these strategic decisions.

Panama's DG program focuses on strengthening civil society organizations to encourage transparency, accountability and key reforms in justice. USAID/Panama will support demand for justice reform under the *Strengthened Rule of Law* IR and for anti-corruption measures under the *Greater Transparency and Accountability* IR, by supporting civil society organizations that will work with agents of change in the new GOP, the media and other actors. Other donors will play an important role in reinforcing our policy dialogue and in funding crucial elements of both justice reform and selected anti-corruption activities. The largest donor, the IDB, has yet to plan its new program, but USAID activities will be designed so as to complement, and in some cases be picked up by the IDB.

USAID/Panama is committed to integrating gender in its programs. In SO 1, it will focus on training in gender analysis, mainstreaming and monitoring. This is a necessary step to a better understanding of gender issues and integration by USAID staff and implementing partners, and will facilitate gender mainstreaming in program design and implementation.

USAID will complement activities under the Embassy's Good Governance Initiative by implementing activities at the local level and seeking synergies for greater impact of USG efforts as a result of more coordinated programs. Working closely with the Narcotics Affairs Section (NAS) in its governance activities in Colon and with the Public Affairs Section (PAS) in the training of journalists in investigative reporting, USAID will ensure greater effectiveness of its DG program and contribute to greater U.S. Government impact in Panama.

## **Key Partners**

Important partners for the implementation of this democracy and governance strategy are: Civil society, especially the umbrella organization of the Citizens' Alliance for Justice (ACPJ); business groups, such as the Panamanian Association of Business Executives (APEDE) and the Chambers of Commerce; the media; and selected municipalities, mayors and "*corregidores*"; the Citizens' Public Advocate and the Solicitor General. The National Commission on Anti-Corruption and the Controller General, along with the press, will be key partners in the fight against corruption. The courts, especially the Supreme Court and the Public Defenders Institute; and other justice sector institutions, such as the Public Ministry, will emerge as key partners, subject to political will and the availability of funds. The mission will also include as key partners, women's groups, civil

society and technical organizations that advocate for gender mainstreaming to ensure gender integration in the design and implementation of our DG program.

### **Measuring Achievement: Preliminary Performance Monitoring Plan**

The umbrella civil society organization, Citizens' Alliance for Justice, has recently carried out a citizens' audit of the state of the criminal justice system. These data along with data from the regional democracy survey will be used to measure baseline performance at the SO and IR levels. USAID/Panama will include country-specific indicators in its Performance Monitoring Plan (PMP) for this SO to measure progress.

The preliminary Panama-specific SO indicators are:

- Citizens' social auditing of GOP institutions and programs at national and local levels conducted (milestone indicator)
- Progress made in developing key anti-corruption measures (milestone indicator)

The following preliminary Panama-specific IR indicators will track progress on key outcomes during the five-year Country Plan:

#### *Intermediate Result No. 1.1: Strengthened Rule of Law*

- Substantial base of support for continuous improvements in the justice system from civil society leaders established (milestone indicator)

#### *Intermediate Result No. 1.2: Greater Transparency and Accountability*

- Number of social audits performed by civil society
- Citizens' confidence in the justice system as measured by surveys
- Degree of public access to government information on a scale 1 to 5 (no access, limited access, occasional access, frequent access, unlimited access)

The mission will develop appropriate indicators at the Intermediate Results and sub-Intermediate Results levels to measure the progress and impact of its DG program on reducing gender inequities.

### **Estimate of Required Resources**

The Parameters Cable estimated a \$19 million ceiling in ESF resources. Given current uncertainties in funding levels, USAID/Panama developed alternate funding scenarios for three focus areas: *Civil Society Advocacy for Reform, Oversight of Government* and the *Judiciary*, assuming political will. In the absence of political will in the courts, the focus of our assistance will be *Civil Society Advocacy* and *Oversight of Government*. As funding scenarios improve, USAID/Panama will strategically deepen its assistance in the focus areas identified. Under a \$19.0 million funding level scenario, support of activities directed at local governance will be enhanced. In the event of political will and a \$19.0 million funding level scenario, USAID/Panama may initiate support for a new criminal

procedures code (CPC). DA funding may be needed to substitute or complement shrinking ESF levels.

USAID/Panama will monitor political will throughout the life of its Country Plan to assure strategic use of its limited resources, taking into account focus, impact, and the Agency's manageable interest. The mission will also consider the MPP, the foreign policy perspective as well as synergies and/or complementarities with the U.S. Embassy's objectives to determine the most appropriate course of action. In terms of political will, reinstating public access to Supreme Court decisions on the web will be indicative of *renewed political will* to foster transparency and accountability in the courts. By engaging high-level officials in policy dialogue on anti-corruption measures and reform, USAID will assess political will in government. GOP support for a National Anti-Corruption Strategy and Action Plan will represent another important step towards improved transparency and accountability in government. With the signing of a Pro-Justice Pact by political parties, the private sector and civil society and the advent of a new government in September 2004, USAID will look for windows of opportunity to engage members of the judiciary and other operators of the justice system, including the executive branch, provided political will to support an anti-corruption and judicial reform agenda exists and resources permit.

### **SO Start and End Dates**

Funding period corresponds to FY 2004-2008. Implementation ends in FY 2009.

## **B. SO 2 Economic Freedom: An Open, Diversified, Expanding Economy**

### **Development Challenge**

USAID/Panama recognizes it must work at two levels in order to stimulate economic growth and thus reduce poverty. At one level, it must work to reduce barriers to trade and investment (both foreign and domestic) and encourage market integration. At another, it realizes that development must be sustained and in order to do this, the use of natural resources must be rationalized. Hence, there must be a balance between economic development and environmental protection while mitigating the probability of social conflict. We view sustainable environmental management as a necessary condition for economic growth with equity. As such, USAID/Panama will be a catalyst for improving environmental policies, regulatory, and institutional frameworks by demonstrating activities that balance environmental protection with rational use. Our program will also help make those policies and frameworks more effective and strengthen governance in Panama by involving local government, communities, and the private sector in more meaningful ways in sustainable management of the environment.

Free trade negotiations with the U.S. as well as the rest of the Americas are serving as a catalyst to encourage Panama to become more competitive and thus be able to better compete globally on several fronts. The Mission plans to support Panama in its trade capacity building efforts both during and after negotiations. It is the post-negotiation time period where it is anticipated that the most assistance will be required due to the structural adjustments that Panama will be undergoing as a result of these negotiations.

The importance of sustainable economic development to maintaining the security and prosperity of critical regions of Panama is undeniable. Watersheds of high environmental

and strategic value in the country present both challenges and opportunities related to economic development, especially for numerous sectors that depend directly or indirectly on the health of intact ecosystems.

The crucially important Panama Canal infrastructure is a high economic and national security priority for both the Government of Panama and the U.S., and will continue to be at the center of USAID/Panama's activity under this SO. Availability of sufficient water of good quality from the 550,000-hectare Panama Canal Watershed (PCW) is essential to guarantee continued effective operation of the Canal's locks system. Each transit through the Panama Canal requires 52 million gallons of fresh water. Furthermore, the watershed is the source of water for significant hydroelectric energy production for the country, important agricultural production, as well as municipal potable water supply for Colon and 95% of the residents of Panama City, including the densely populated district of San Miguelito.

Deforestation has already reduced the forest cover in the Panama Canal Watershed and, in the process, has seriously eroded its river valleys and lakeshores. Increasing rates of population migration into the watershed and buffer areas, with concomitant urbanization and poorly managed sanitation systems and economic activity due to loss of resources and stagnant economic growth in other parts of the country also threaten the Canal's environmental sustainability. The PCW is increasingly vulnerable to agricultural, domestic and industrial pollution, siltation, and sedimentation, which reduce the storage capacity of the lakes that serve as the Canal's water source and contribute to eutrophication (i.e., rich in nutrients, resulting in bacteria and loss of oxygen in a lake) and aquatic plant growth, especially algae, in the waterway. Operators of the canal system are understandably interested in the sustainable management of the watershed to ensure the long-term functioning of the Canal.

The unsustainable use of natural resources is a critical contributing factor to economic and political problems in other regions of Panama as well. The potential for destabilizing conflict is increasing in the watersheds of the Darien Province, for example, as a result of spillover effects from Colombia, environmental degradation and the general lack of adequate government presence and rule of law evidenced in this relatively remote area. Natural resource-based disputes are common, such as rights to land, water and other resources are hotly contested among different ethnic and socioeconomic groups. Moreover, the socio-economic condition of that region's population remains at the lowest echelon of Panamanian society. The GOP has made the province a priority for major development of natural resources to alleviate immediate economic problems, and settlers from other parts of Panama are increasingly coming into the Darien to further open the pristine frontier. At the confluence of poverty, corruption and conflict, the pace of environmental degradation in the province continues at an alarming rate from deforestation, conversion to pasture and farms, and mining. These trends are of particular concern given the extremely valuable tropical forest resources and biodiversity present in a region that has been declared both a UNESCO World Heritage Site and a Biosphere Reserve.

Along with challenges in the critical watersheds of the Panama Canal and Darien, there are significant opportunities to promote sustainable economic development, clean production initiatives, adequate waste disposal and social stability through an expanding eco-tourism sector. In addition, developing public-private partnerships that recognize the economic value of conserving watersheds with high biodiversity and significant tropical

forest resources offer complementary opportunities to leverage funding. Strategically designed natural resource-based economic activities in the agricultural and forestry sectors can also be greatly improved to both maximize production efficiencies and increase profits, at the same time that pollution is reduced and environmental impacts mitigated.

### **Development Hypothesis and Proposed Program**

USAID/Panama is convinced a program of trade capacity building both during and after trade negotiations, an integrated program of watershed management with on-the-ground implementation of best practices and technologies at the sub-watershed level and environmental governance will be most effective. It will enhance Panama's ability to ensure sustainable development and provide for the domestic and productive needs for water of its population. Also, promoting locally-based sustainable natural resources management and community operated sanitation systems is an excellent entry point to support well-functioning and democratic models of decentralized governance and conflict mitigation and resolution essential to support national and regional security.

Specifically in the Panama Canal Watershed, the protection of the natural environment is vital to safeguarding the freshwater resources upon which both the canal's hydrology and watershed residents depend. A healthy vegetative cover helps to regulate the timing and intensity of hydrologic cycles, essential for a steady and sustained source of water supply for both Canal operations and human use. Preventing high levels of soil erosion will maintain the functioning and longevity of holding capacity of the lakes and reservoirs where water for the Canal and other users is stored. Good water quality also directly impacts both the operation of the Canal and the welfare of downstream human users. Sources of pollution in the rural and urban settings must be controlled. Reducing high levels of nutrients, which cause excessive growth of aquatic plants, and other contaminants in watercourses can help mitigate increasing problems of eutrophication and clogging of waterways with aquatic plant growth. Raw sewage emanating from the growing urban population along the Trans-isthmian corridor must be contained and treated. Maintaining a clean domestic water supply will also protect human health. Promoting more environmentally-sustainable forms of economic development, especially eco-tourism and clean production, will help ensure that critical ecosystems are conserved well into the future. Environmentally-sustainable economic development will contribute to climate-friendly activities that improve resilience of vulnerable populations and ecosystems to climate impacts.

The rural economy in several Darien watersheds is also strongly dependent on natural resources. Diverse ethnic groups have derived their livelihoods for centuries from rich tropical forests, extensive river systems, and coastal zones, resources which are increasingly at risk. Although the Darien region is home to the largest drainage basin in the country, water services are inadequate and inequitable, as much of the population suffers from insufficient access to water for domestic use or sustained economic development. Faced with increased population pressures and introduction of different types of economic activities, the adoption of sustainable land use and resource management practices is essential, in conjunction with increased basic service delivery within the context of community-based participatory models of decision-making regarding the shared use of limited resources.



## **Results Framework and Illustrative Activities**

USAID/Panama's program for SO 2 is based on (i) a series of trade capacity building efforts that, over the long term, will reduce business constraints and (ii) an integrated approach to managing water and land resources in critical watersheds. This approach will maximize Panama's competitive position as well as help ensure a constant, predictable and high quality flow of water to sustain economic activity and healthy human residents of the watershed, while preserving the integrity of the environment. Activities under The Peregrine Fund (TPF) support this program as part of the conservation effort and protection of the habitat.

A two-pronged approach supplements policy support in the PCW with implementation of tangible actions on the ground and community participation at the sub-watershed level. Activities will build on past successes in institutional strengthening. Planned complementary interventions, within and outside the protected areas, will contribute to the overall protection of the ecosystem and biodiversity and help reduce threats to the environment and mankind due to climate change. USAID will continue to serve as a catalyst, bringing to fruition strategic development alliances with government, NGOs and the private sector. These partnerships will help to leverage our support to protect and conserve the PCW while benefiting the population in the communities through improved living conditions. In addition, USAID will continue to support the implementation of planning models in selected urban, peri-urban and rural sub-watersheds of the PCW. In providing this support, USAID/Panama will encourage and help the Panama Canal Authority in reporting case studies of successful projects with gender considerations incorporated. USAID/Panama also plans to monitor the impact of gender relations on project results and the impact of the project on the relative status of men and women.

USAID/Panama recognizes that as successes in selected elements of integrated watershed management are achieved, they will serve as an important platform for modest strategic replication in selected areas of high environmental value. Efforts will be located in and around critical protected areas of high biodiversity value, modeling work in the Chagres and Soberania National Parks in the PCW, and will focus on high potential public-private partnerships in eco-tourism and other environmentally-friendly activities. USAID will leverage efforts in clean production, sanitation, sustainable agro-forestry, community forestry, micro-enterprise and handicrafts. When relevant, selected activities with national level impact may be promoted to maximize the effectiveness of USAID resources. For example, the harmonization of legal and regulatory instruments for environmental management and the increased compliance with environmental law and regulations have broad relevance, so activities will ensure that reforms are widely understood and adopted. Other aspects of environmental law may be explored for protection of environmentally-sensitive areas, including the role of incentives and conservation easements. These incentives and conservation corridors between protected areas will encourage better practices by private landowners as well as foster other environmental legal and policy reforms that will generate economic opportunities. Taking advantage of such strategic opportunities will require relatively few resources, with a potentially large positive impact on a national scale. USAID/Panama will look for synergies with USAID regional programs or with other donors to leverage funding for other critical watersheds.

In all cases, participatory environmental governance will be emphasized, ensuring the active involvement of marginalized groups, i.e., indigenous populations, as well as

attention to gender issues that are of particular concern in water resources and watershed management. USAID/Panama will support a broad-based participative methodology and gender analysis in the design and implementation of community watershed projects. We will promote an equitable participation of women in decisions made in the planning and implementation phases of each project, and will ensure that adequate training in gender analysis and mainstreaming takes place. Such support to more decentralized governance and accountability is completely consistent with, and complementary to, USAID/Panama's work under SO 1, and in general will lead to much more sustainable and effective results for USAID programs.

Finally, specific steps will be taken to maximize cross-portfolio synergies and internal coherence of the Country Plan. Strategic activities across SOs will be planned when possible. Close coordination in the planning and implementation phases of each SO's activities will occur, especially in areas such as trade, investment, environmental laws and decentralized governance. Opportunities to build on the work of the USAID regional program (USAID/G-CAP) will be pursued, especially in the areas of trade capacity building, protected area management, pollution prevention/clean production, and green certification of timber and forest products. Potential collaboration in Global Development Alliances (GDA) partnerships and the Development Credit Authority (DCA) will be explored.

While the bulk of the resources in the SO will focus on activities under IR-2.4: *Improved Management and Conservation of Critical Watersheds*, some resources will be utilized to support targeted trade capacity building activities that will be carried out under IR-2.1: *Laws, Policies and Regulations that Promote Trade and Investment*." It is anticipated that these resources will support outreach efforts both during and after free trade negotiations as well as to reduce red tape, harmonize standards and do away with over-regulation in order for business to thrive and flourish. In this way, the USG will support Panama's move towards greater opening of markets and economic and justice reforms. In the context of the CAM Regional Strategy, USAID/Panama is acutely aware of the potential implications of free trade agreements for the economy in general, and the impacts on natural resource-based activities in particular.

#### *Intermediate Result 2.1: Laws, Policies and Regulations that Promote Trade and Investment*

Activities under this IR will promote trade capacity building efforts both during and after negotiations. Interventions will seek to leverage activities being carried out by USAID regional and centrally funded programs as well as by other donors. The mission will decide whether to buy into the RPP, EGAT and/or LAC/RSD mechanisms.

It is expected that the activities carried out will better allow Panama to compete in the global economy and attract increased foreign direct investment.

#### Illustrative Activities:

- Outreach program to better explain the free trade agreements
- Trade Agreement Implementation

- Assistance in transitioning to free trade in such areas as customs, government procurement, standards, labor, environment and dispute settlement
- Identifying and doing away with business constraints

*Intermediate Result 2.4: Improved Management and Conservation of Critical Watersheds*

Activities under this IR will promote improved environmental governance through policy and legal reforms, behavioral change, and a more participatory and practical approach to watershed and protected areas management. Successful watershed management activities in pilot sub-watersheds and protected areas will be replicated with national level impact. Activities will focus on environmental law and governance as requested by the GOP. USAID/Panama's support of protected area management and environmentally-sound economic activities, such as conservation plans and eco-tourism, will help reduce greenhouse gas emissions.

USAID will support GOP policies and actions directed at involving women in the management and conservation of critical watersheds to comply with Law 4 of 1999. This Law on Equal Opportunity for Women is the framework law for the GOP's social policy related to gender. It promotes training and involving women in sustainable development activities in the design and implementation of projects.

Targeted interventions will seek to leverage other resources to promote environmental governance in selected watersheds and sub-watersheds.

Illustrative Activities:

- Implementation of a jointly-managed incentive fund for community-based actions
- Promote public-private partnerships for environmentally-sustainable economic activities in areas of high biodiversity value
- Support community awareness/behavior change interventions to encourage best practices
- Sustainable financing enhanced for critical watershed protection and conservation, such as a second TFCA debt-for-nature swap arrangement in conjunction with a suitable NGO partner
- Support of mediation centers at the local level and training of "corregidores" in environmental governance
- Training on gender analysis, integration and monitoring

**Strategic Choices and Sustainability of Impact**

USAID/Panama made some important strategic choices to align the program with the CAM Regional Strategy as well as the U.S. Embassy Mission Program Plan. Various technical assessments prepared during the plan development phase (i.e., Democracy and Governance, Conflict Vulnerability Analysis, Environment/Section 118-119 Assessment, Gender Analysis, Anti-Corruption Assessment) guided these strategic decisions.

Humanitarian assistance and community development activities in Darien conducted under the Special Objective in the former strategy will not continue beyond the SpO completion date in 2005. Also, rather than continue with the strengthening of institutions

working in the PCW, USAID/Panama will build on past successes and move on to a practical and participatory approach to watershed management in the PCW.

The Panama USAID Mission is aware of the importance of gender differences on program results and vice versa. The Mission will focus on training in gender analysis, mainstreaming and monitoring, as a necessary step to ensure better understanding of gender issues and integration by USAID staff, implementing partners and the community-based groups so that gender can be incorporated into activity designs and program implementation in a more effective manner.

The existing watershed activity in the PCW, already fully consistent with the CAM, will continue its recent shift in direction to focus more on decentralized environmental governance and implementation of activities in both protected and non-protected areas. This new phase both complements earlier work, and consolidates and reinforces successes already achieved in the PCW. Environmental governance and watershed management will be the focus of any new strategic intervention. The application of the watershed model beyond the boundaries of the Panama Canal Watershed is a resource-efficient way to address issues of conflict and security in an area of great environmental value, taking advantage where it makes sense of critical linkages with the Mission's democracy and governance efforts, and the great experience garnered in integrated watershed management in the PCW.

Also, the U.S. Country Team believes that USAID can play a key role in the eventual implementation and transition to a bilateral Free Trade Agreement between Panama and the U.S.

Finally, as mentioned above, this Country Plan provides many opportunities to foster synergies across the portfolio and with other actors to enhance impact and increase sustainability. Several linkages between and within SO 1 and SO 2 can also be encouraged and built into program designs as well. For example, activities to reduce corruption and build civil society (SO 1) will support efforts to reform environmental law and increase compliance (SO 2). Work to promote models of participatory environmental governance in critical watersheds (SO 2) will support decentralization and improve the enabling environment for judicial system strengthening in target areas (SO 1).

### **Key Partners**

USAID will continue to work closely with the Inter-Institutional Commission for the Panama Canal Watershed (CICH), the Panama Canal Authority (ACP), the National Environment Authority (ANAM), protected area managers, and other government and commercial partners at the national and regional level, while establishing stronger relationships with local government partners at the municipal and especially the "*corregimiento*" level. NGOs will continue to play a critical role in protected areas management, and in community-based management of natural resources in both the Panama Canal and the Darien. In addition, Animal and Plant Health Inspection Services (APHIS) and the United States and Panama Commission for the Eradication and Prevention of the Screwworm Cattle Disease (COPEG) will be important partners in Darien. USAID will partner with women's groups, civil society and technical organizations that advocate for gender mainstreaming. Key partners, including NGOs, will be strengthened in gender analysis.

Private sector partnerships will have significant participation in activities related to protected areas and urban sanitation. Efforts will be made to increase the role of the commercial private sector in the new strategy period, especially those from the eco-tourism industry and agricultural producers, including GDA alliances and DCA loan portfolio guarantees. For instance, a private sector partnership with some select timber companies interested in timber certification for export may be pursued. An active pursuit of increased private sector involvement will result in additional leveraged resources for sustainable development, and help ensure long-term behavior change and improved management practices.

### **Measuring Achievement: Preliminary Performance Monitoring Plan**

Two country-specific IR level indicators are proposed to track progress in IR 2.1. Three country-specific IR level indicators are proposed for IR 2.4, two of which are inherently related to climate change. USAID/Panama will include country-specific indicators in its Performance Monitoring Plan (PMP) for this SO to measure progress.

Preliminary IR level indicators:

#### **IR-2.1 Laws, Policies and Regulations that Promote Trade and Investment**

- Number of business constraints reduced
- Public understanding of FTA increased as measured by surveys

#### **IR-2.4 Improved Management and Conservation of Critical Watersheds**

- Number of hectares with improved watershed management practices
- Progress toward development, adoption and implementation of sustainable watershed management plans in target areas. (Track three phases of process—1) development; 2) adoption; and 3) implementation--- for a target score of 3 for each plan).
- Adoption of less polluting practices or technologies by farmers, businesses and communities

The mission will develop appropriate indicators at the Intermediate Results and sub-Intermediate Results levels to measure the progress and impact of its Economic Freedom program on reducing gender inequities.

### **Estimate of Required Resources**

The estimated funding for the life of Country Plan is \$30 million in DA resources.

Although assistance to support successful implementation of a Free Trade Agreement is considered an important area of concern, USAID/Panama engagement in this area is contingent on receipt of a modest amount (\$750,000 annually for 3 years) of additional DA funds beyond the \$30.0 million cited above. Strategic interventions under SO 2 to critical watersheds in Darien will depend on leveraged resources, i.e., funds through a

second Tropical Forest Conservation Act (TFCA) debt-for-nature swap arrangement or from the private sector.

## **SO Start and End Dates**

Funding period covers FY 2004-2008. Implementation will end in FY 2009.

## **C. Panama Special Objective: Selected Darien Communities Strengthened SpO 525-006**

During the early years of the new Country Plan period, USAID/Panama will continue to implement the previously authorized Special Objective (SpO) for community development in Darien, an Andean Regional Initiative (ARI) activity to mitigate spillover effects from the Colombian conflict. This SpO was approved in FY 2002. Program implementation started in FY 2003, prior to the development of the CAM Regional Strategic Objectives. It remains incorporated in Panama's Country Plan as a SpO that is consistent with overall US foreign policy objectives, and serves as an important bridge activity to the new phase of environmental governance, watershed management, biodiversity, and conflict mitigation work in the Darien Province outlined under SOs 1 and 2. *The final obligation is in FY 2004 with implementation ending in FY 2005.*

## **Development Challenge**

Darien is the largest province in Panama, accounting for 22% of the national territory which is experiencing rapid environmental degradation. The region is socially and culturally fragmented and geographically isolated. There are three distinct ethnic groups: an indigenous one that includes Emberas, Wounaans and Kunas; the second consists of Afro-Panamanians; and the third is made up of "*mestizos*" who migrated into the region from central and western Panama. According to the Census in 2000, the average per capita annual income for the province is around \$900-\$950, but is much lower within indigenous groups there. Many water-locked communities rely on waterways for transportation. The only road is the Pan American Highway that is not fully paved and ends in Yaviza, over 100 miles from the Colombian border.

Darien communities share many social and economic development needs, including access to justice. Some immediate concerns are the poor-quality and limited access to reliable potable water, lack of adequate sanitation, waste disposal systems and limited access to adequate public health and education. The 5,970-km<sup>2</sup> Darien National Park represents 35.8% of the territory in the Province of Darien. It is located along the Colombian border and has been classified by Conservation International as a *World Biodiversity Hotspot*. It is, however, coming under pressure due to the expansion of the agriculture frontier and the settlement of new communities composed mostly of poor Panamanian families who have migrated from the Central Provinces, and recently displaced persons from Colombia.

## **Development Hypothesis**

The more capacity communities develop to respond to their own needs, the less vulnerable they will become to spillover effects. Local organizations and strategic alliances with private sector are integral to this SpO.

## Results Framework and Illustrative Activities

USAID assistance focuses on community development, increased economic opportunities, and more effective government and NGO presence, with special emphasis on community participation and self-help. This SpO supports effective governance, community institution building, small-scale social and productive infrastructure, gender integration, and income-generating opportunities.

- **Social infrastructure in selected communities:** Focus is on helping selected communities implement social infrastructure activities identified by the communities with an emphasis on local management, self-help, and sustain-ability
- **Organizational capacity of local government and community-based organizations:** Helps local authorities and community leaders in selected communities, working in partnership, to prepare and implement a plan to strengthen community organizations for the development of self-help sustainable activities.
- **Productive infrastructure and income generation in selected communities:** Helps selected communities reach consensus on productive infrastructure and income-generating activities needed and implements activities in partnership with local authorities, private sector, NGOs, community organizations and other stakeholders.

In addition to its focus on all ethnic groups, activities are designed to ensure that women actively participate and benefit in the process. Women are encouraged to participate in the decision-making process in their communities.

## Key Partners

Key partners include the communities, local government, local NGOs, the private sector, and GOP entities, such as the Ministry of Economy and Finance (MEF), the Ministry of Agriculture (MIDA) and the Environmental National Authority (ANAM). Another important partner is the consortium comprised of ACDI/VOCA and Planning Assistance. The program plans on adding other NGO partners and continues to explore private sector partners.

## D. Crisis Modifier

Pursuant to ADS 201.3.4.4, USAID/Panama is incorporating the Crisis Modifier approach into its Country Plan. In the event of a major humanitarian crisis, the Mission will invoke the Crisis Modifier and seek Bureau approval, where necessary, to modify its activities to account for the crisis. In order to use the Crisis Modifier, the Mission will submit to the Bureau a time-phased plan in accordance with the guidelines set forth in the current CAM Regional Management Agreement. This modifier applies to all of our Strategic Objectives, and appropriate “crisis modifier” language will be included, to the extent possible, in all grants, contracts, and agreements (including Strategic Objective Agreements) under these objectives. The Mission acknowledges that Congressional Notifications may be required to invoke the modifier and that account and earmark restrictions will remain in force.

### III. Program Resources

The Panama Country Plan funding period is FY 2004-2008. In accordance with funding levels for Panama in the Parameters Cable, the approved Life of Country Plan levels are \$19 million ESF and \$30 million DA for a total funding amount of \$49 million over a five-year period. In addition, \$2,250,000 in DA funding will be needed for trade capacity building.

These resources are distributed among two of the Strategic Objectives over the FY 2004-2008 Country Plan funding period as follows:

SO 525-021 Ruling Justly: More Responsive, Transparent Governance

\$19,000,000 ESF

SO 525-022 Economic Freedom: Open Diversified, Expanding Economies

\$32,250,000 DA

USAID will begin activities in FY 2004, except for the Foreign Policy *Special Objective: Selected Darien Communities Strengthened*, which was approved in FY 2002 and began implementation in FY 2003. There is an ESF mortgage of \$750,000 on the SpO for planned FY 2004 obligation. The Country Plan implementation end date will be September 30, 2009.

#### **LIFE OF STRATEGY PROGRAM RESOURCE REQUEST**

This funding is distributed among the Strategic Objectives over the FY 2004-2008 Strategy period as follows<sup>1</sup>:

**SO-1 Ruling Justly: More Responsive, Transparent Governance (525-021):**  
\$19,000,000 ESF

**SO-2 Economic Freedom: Open, Diversified, Expanding Economies (525-022):**

\$31,500,000 DA  
\$ 1,000,000 ESF

**SpO Selected Darien Communities Strengthened (525-004—Previously Approved)**

\$6,000,000

#### **Global Development Alliance (GDA)**

USAID/Panama has developed in the past several public-private development partnerships to leverage additional funds. These have included joint dollar-per-dollar

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<sup>1</sup> Levels are estimated and subject to the availability of funds. Amounts are rounded to the nearest \$500,000.



funding (\$5.0 million total) for demonstration projects in pilot sub-watersheds in partnership with the Panama Canal Authority (ACP). In addition, a \$2.1 million small-town sanitation project with the World Bank's Cities Alliance Fund in partnership with the Ministry of Health (MINSa), the United Nations Environment Program (UNEP), the National Institute of Potable Water and Sewage Systems Institute (IDAAN), Colgate/Palmolive, Cementos Mexicanos, the Municipality of Panama and community residents will leverage \$1.9 million against a USAID contribution of \$0.2 million. Under a Tropical Forest Conservation Act (TFCA) \$10 million debt-for-nature swap, an alliance with The Nature Conservancy was also developed that provides the funding to implement the Conservation Area Plan and the Management Plan in the high biodiversity value Chagres National Park.

Under the CAM Regional Strategy, USAID/Panama will continue to partner with a broad range of public and private institutions and to leverage significant outside funding for its activities.

#### **IV. Program and Operational Management**

**Program Management:** To implement this Country Plan and to further improve operational efficiencies and effectiveness, USAID/Panama continues to evaluate ways to better manage its program. Already in progress is a re-engineering process, including organizational restructuring and training aimed at improving the efficiency of the Mission's workforce. This re-engineering process is based on principles of delegation of authority, empowerment and accountability and contemplates generic and specific training for all staff.

**Staffing:** Following the recommendations of the LAC Management Assessment in FY 2000, USAID/Panama simplified assistance delivery mechanisms and radically limited management-intensive activities. Recently, USAID/Panama reevaluated its program focus, workforce roles and responsibilities, workload, and staff structure given the new Democracy and Governance Strategic Objective in FY 2004, the transfer of oversight and management of The Peregrine Fund (TPF) congressionally earmarked to USAID/Panama, the need to improve coordination with the regional Central America Program and bilateral mission partners under the CAM strategy, and support activities for a bilateral Free Trade Agreement (FTA) between the U.S. and Panama. Technical staff requirements for implementing the Country Plan will be accomplished within existing teams. USAID/Panama's staffing level of 31 positions will provide the support needed to carry out program and activity management, sustain policy dialogue on key issues, and provide logistical support for Mission operations.

**Operating Expenses (OE):** USAID/Panama's OE requirement for FY 2004 is estimated at \$784,000. This reflects additional resources needed to fund mandated FSN salary increases plus an obligatory ICASS increase. The FY 2004 ICASS costs represent 9% of the OE budget. The OE budget in FY 2005 is estimated at \$841,000, a 7.2% increment from the \$784,000 FY 2004 requirement. This figure accounts for planned retirements, home leave, end of tour repatriation; new personnel assigned to the field and increases in ICASS costs.

**Management Units:** In order to maintain the number of management units within the recommended levels and to reduce demands on limited staff time, USAID/Panama has a single umbrella institutional contractor implementing most of its current PCW program

and a cooperative agreement with The Nature Conservancy (TNC) carrying out the Conservation Area and Management Plans in the Chagres National Park. It is anticipated that all activities under SO2/IR 2.4 will be implemented through these or similar mechanisms. One institutional contractor will implement the new Ruling Justly SO 1 program for the same reasons and to facilitate shifts in assistance needs between rule of law and governance.

## ANNEX: ASSESSMENTS AND STUDIES

A series of required and selected evaluations, assessments and analyses conducted during the past seven months guided and validated the Panama Country Plan development process, and are available upon request from USAID/Panama. We also consulted existing studies on poverty and the rural economy by other donors.

### **MANADATORY ASSESSMENTS**

Environment, Biodiversity, Water, Tropical Forest Conservation, Protection and Management in Panama: Assessment and Recommendations, BIOFOR IQC No. LAG-I-00-99-00014-00, Task Order #824, Evaluation Team: Tracey Parker, Julieta Carrion, and Rafael Samudio, Chemonics International Inc., March 23, 2004, pp. 72 plus Annexes.

Gender Analysis for USAID/Panama, Evaluation Team: Janice Jorgensen, Silma Pinilla, Virginia Lambert, DEVTECH Systems, Inc., April 7, 2004, pp. 53.

Panama Conflict Vulnerability Assessment, ACDI/VOCA and the Center for International Conflict Resolution (CICR) at Columbia University, December 31, 2003, pp. 60.

### **OTHER STUDIES AND REPORTS**

An Assessment of Corruption in Panama, Assessment Team: David Cohen, Team Leader, Gerardo Berthin, Yemile Mizrahi, and Carlos Berguido, Casals and Associates, April 2004, pp. 42.

Censos Nacionales de Población y Vivienda, May 2000, Contraloría General de la República, December 2001.

Distribución del Ingreso en Panamá, Dirección de Políticas Sociales, Ministerio de Economía y Finanzas, República de Panamá, Marzo 2000, pp. 117.

Establishing Momentum Toward Fairer and Faster Justice in Panama: Evaluation of USAID/Panama Special Objective, Report on Phase One, Evaluation Team: James Michel and Carlos Berguido, June 2003, pp. 19 plus Annexes.

Establishing Momentum Toward Fairer and Faster Justice in Panama: Evaluation of USAID/Panama Special Objective, Report on Phase Two, Evaluation Team: James Michel, Norma Parker, and Carlos Berguido, July 2003, pp. 31.

Findings from an Observation Trip to Central America and Panama to Examine Regional Economic Growth Targets of Opportunity for G-CAP/Proposed Trade Activities for Panama, February 2004, pp. 8.

Panama Democracy and Governance Assessment, USAID Contract No. IQC # AEP-I-00-99-00040-00 Task Order #823, Management Systems International (MSI), pp. 48, Final Report, October 3, 2003, pp. 46.

Panamá: Estudio sobre Pobreza, Prioridades y Estrategias para la Reducción de la Pobreza, Volumen I: Informe Principal and Volumen II: Anexos, Banco Mundial, 28 de junio de 1999, pp. 55 plus Annexes.

## **ACTION MEMORANDUM**

TO:AA/LAC, Adolfo A. Franco

THRU: SDAA/LAC, Mosina Jordan

FROM:Abdul Wahab, LAC/SPO

SUBJECT:Approval for USAID/Panama Country Plan

**Action Requested:** Your signature to the attached Management Letter is requested to: approve the USAID/Panama Country Plan, authorize its incorporation into the approved Central America and Mexico (CAM) Regional Strategy, and allow the Mission to proceed with obligations. The Mission's Country Plan will have an approved funding level of \$51.5 million (including \$20.0 million ESF) for the FY 2004–2008 period.

**Background:** The Mission has completed and submitted its Country Plan for FY 2004–2008. The plan was developed with the central objective of supporting the CAM Regional Strategy for the FY 2003–2008 period. Following submission, the Country Plan was reviewed by the LAC Bureau and relevant offices throughout the Agency. The Mission's Country Plan is consistent with and strongly supports two of the three strategic objectives of the CAM Regional Strategy.

**Authority:** Approval of the CAM Regional Strategy was provided through the Management Agreement that you signed on August 1, 2003 in accordance with ADS 201.3.10.3. You have the authority to approve the Country Plan and its incorporation into the CAM Regional Strategy pursuant to ADS 103.3.8.1 in which you are delegated authority for strategic planning by the AA/PPC. The authority for program implementation delegated to you by the AA/PPC in ADS 103.3.8.2 gives you the authority to allow the

Mission to proceed with obligations (subject to the Mission meeting all preobligation requirements).

**Recommendation:** That you sign the attached Management Letter indicating your approval of the Mission's Country Plan and its incorporation into the CAM Regional Strategy. Your signature will allow the Mission to proceed with obligations under the CAM Regional Strategy.

## **MANAGEMENT LETTER**

Mr. Leo Garza  
Mission Director  
USAID/Panama

Dear Mr. Garza:

This is to express my sincere congratulations to your Mission for its outstanding work in completing its Country Plan for FY 2004–2008. I am pleased with the strategic direction and focus areas you have emphasized in your Country Plan.

This Management Letter approves the incorporation of the USAID/Panama Country Plan into the Central America and Mexico (CAM) Regional Strategy. The USAID/Panama Country Plan, which includes an approved funding level of \$51.5 million (including \$20.0 million ESF) for the FY 2004–2008 period, is consistent with and strongly supports the CAM Regional Strategy.

As the Mission moves forward with its activities, it should keep in mind program and staffing resource limitations so as not to overextend the program and dilute potential impact. The upcoming Mission Management Assessment will provide further guidance regarding program and staffing resources.

With this letter, subject to the Mission meeting all preobligation requirements, you are formally authorized to obligate funds under the CAM Regional Strategy beginning in FY 2004.

Sincerely,

Adolfo A. Franco  
Assistant Administrator  
Bureau for Latin America and the Caribbean

## Clearance Page for Approval of USAID/Panama Country Plan and Incorporation into CAM Regional Strategy

LAC/RSD, CMango	(draft)	Date: (06/28/04)
LAC/CEN, RKahn	(draft)	Date: (06/28/04)
LAC/EMT, CRoyalty		Date:
LAC/SPO, JRudasill-Allen	(draft)	Date: (06/30/04)
PPC/PC, RBoncy	(draft)	Date: (06/23/04)
GC/LAC, JLifur	(draft)	Date: (06/24/04)
EGAT/PAICO, SPhillips	(draft)	Date: (06/28/04)
DCHA/PPM, SParks	(draft)	Date: (06/24/04)
STATE/WHA, DLokka	(draft)	Date: (06/30/04)

Drafter: SBudzina x25717, 06/01/04 P:\lac.spo.pub\countries\Central America\CAM  
Strategy\Annexes\Panama Action Memo-Management Letter.doc